

Nagel on Finances: Old trends for new businesses

BY ROGER NAGEL
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King Solomon was said to have told his son: “In all labor there is profit, but mere talk leads only to poverty.”

It’s hard to guess the context of Solomon’s lesson, but this is an appropriate message to keep in mind when planning for a new business start-up.

Starting a new business is easier than ever in America today. The internet makes navigating the rules of state and local government quick and efficient.

Unlimited software tools for creating a comprehensive business plan can be obtained by asking our friend “Google” for assistance.

A significant number of books has been published on the topic of starting a business. For most of us in the industry of advising new business owners, it is commonly known that starting a business is easier than winding up a business that is no longer operating.

So, what are the common barriers to starting a new business? Fear may be the No. 1 barrier. Fear of failure. Fear of losing money. Fear of embarrassment. Fear of being wrong.

Over the years, I have found myself advising more often to “plan less and sell more.” You may find that surprising.

I am an advocate for planning ahead, setting goals and measuring performance. That is the essence of what accountants do for mature operating businesses.

In the context of a new business start-up, no amount of planning or forecasting will generate this first and most important aspect: paying customers. Without them you have no business. Literally.

Selling a new product or service to a new customer is hard work. It is not for everyone. If you, as founder, do not have that skill, finding and paying for it can be a challenge.



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Another common barrier is that of capital. Fortunately, most would-be owners know they have insufficient capital, or seed money, and never launch their new service or product idea.

It has been said that most start-ups fail in five years due to lack of capital.

The lack of capital can sometimes be overcome by OPM — Other People's Money. With OPM comes risk and often loss of control. The inability to give up control, even a little bit, for the use of investor money is another barrier to start-up enterprises.

In this last legislative session, New Mexico lawmakers created a new industry specifically to breed new business start-ups: the recreational cannabis industry.

Since the approval of medical marijuana producer permits in 2008-09, all sorts of new businesses have popped up.

New enterprises serving this industry and its affiliates will abound in 2022, in many forms and facets.

Do not be fooled. This is a high-risk business endeavor with much uncertainty and many unknown factors.

Popularity suggests that uncommon competitive pressure will exist at inception.

If you are considering a new business in this industry, ask yourself: Do I have the courage and conviction? Do I have sufficient capital? Can I give up ownership and control for OPM and talent?

If not, "Don't quit your day job."

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